

Message Text

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ACTION EUR-12

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FM AMEMBASSY BONN
TO SECSTATE WASHDC 6230
INFO AMEMBASSY PARIS
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL FRANKFURT
AMCONSUL HAMBURG
AMCONSUL MUNICH
AMCONSUL STUTTGART
USMISSION USBERLIN

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C O R R E C T E D C O P Y (INFO ADDEE ADDED)

C O R R E C T E D C O P Y (ADDING AMCONSUL DUSSELDORF AS INFO ADDEE)D

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: ECONOMICS MINISTER ON GROWTH, NEW PROGRAMS,
EXCHANGE RATES, AND INFLATION

1. MINISTER OF ECONOMICS LAMBSDORFF TOLD PARLIAMENT ON
FEBRUARY 23 THAT THE FRG COULD ATTAIN ITS TARGET OF
3 1/2 PERCENT GNP GROWTH FOR 1978 IF THE IMPROVED
CLIMATE FOR THE ECONOMY CONTINUED TO PREVAIL.
LAMBSDORFF ATTRIBUTED BETTER ECONOMIC PROSPECTS TO
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PAGE 02 BONN 03588 280943Z

MEASURES TAKEN BY THE FRG IN 1977. HOWEVER, HE COULD
NOT RULE OUT THE POSSIBILITY THAT DISTURBANCE IN
FOREIGN EXCHANGE MARKETS IN THE MONTHS AHEAD WOULD
COMPLICATE AND DELAY ECONOMIC RECOVERY. LAMBSDORFF NOTED
THAT WHILE THE US TAKES ONLY 6.7 PERCENT OF FRG EXPORTS
THE GREATEST PART OF WORLD TRADE IS DENOMINATED IN
DOLLARS. LAMBSDORFF DECLAIMED ON THE RELATIONSHIP BE-

TWEEN PRESIDENT'S ENERGY BILL AND DOLLAR WEAKNESS IN EXCHANGE MARKETS. THE PSYCHOLOGICAL EFFECTS OF A WEAK DOLLAR, HE WARNED, COULD ENDANGER THE PROCESS OF WORLD ECONOMIC RECOVERY. HE ALSO EXPRESSED CONCERN ABOUT THE FALL OF THE FRANC VIS-A-VIS THE MARK, ESPECIALLY AS FRANCE TAKES 12.3 PERCENT OF FRG EXPORTS.

2. REFERRING TO THE LOCOMOTIVE THEORY, LAMBSDORFF ASSERTED THAT THE FRG RECOGNIZED ITS INTERNATIONAL RESPONSIBILITIES BUT THAT ITS INFLUENCE ON THE ECONOMIES OF OTHER COUNTRIES WAS CIRCUMSCRIBED. IN THIS CONNECTION HE NOTED THAT THE FRG HAD NO INFLUENCE OVER SUCH GROWTH RELEVANT FACTORS AS INFLATION, ECONOMIC ADJUSTMENT, AND SOCIAL CONSENSUS IN OTHER COUNTRIES.

3. LAMBSDORFF CHARACTERIZED THE CURRENT PUBLIC DISCUSSION ABOUT NEW ECONOMIC PROGRAMS AS COUNTERPRODUCTIVE SINCE IT COULD DELAY SPENDING DECISIONS (ATTENTISMUS). HE CLAIMED THAT THE FRG WAS DOING ALL A POLITICALLY AND ECONOMICALLY RESPONSIBLE GOVERNMENT COULD DO AND THAT NO NEW PROGRAMS WERE UNDER CONSIDERATION.

4. ON INFLATION THE MINISTER EXPRESSED OPTIMISM THAT THE YEAR-OVER-YEAR RATE OF PRICE INCREASE WOULD FALL BELOW THREE PERCENT DURING SOME MONTHS OF 1978.

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PAGE 03 BONN 03588 280943Z

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